

## Action Item

### *California Postsecondary Education Commission*

Executive Director's Report, July 2001

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In addition to updating the Commission orally on current items of import relating to the Commission and California higher education, this Executive Director's Report includes three items for Commission discussion and/or action:

1. A resolution for action expressing the Commission's support for a new bond initiative for higher education facilities to accommodate increasing enrollment demand.
2. A resolution for action recognizing former Commissioner Ralph R. Pesqueira for his valuable contributions to the Commission and to California higher education.
3. The Commission will receive an update on and engage in discussion about the status of the new Cal Grant Entitlement program.

*Recommended Action:* Commission adoption of both resolutions.

*Presenter:* Warren H. Fox, Executive Director.



CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

# Report of the Executive Director

## July 31, 2001

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In addition to updating the Commission on current items of import relating to the Commission and California higher education, this Executive Director's Report includes three items for Commission discussion and/or action:

1. **A resolution expressing the Commission's support for a new bond initiative for higher education facilities to accommodate increasing enrollment demand.** A draft of the resolution was distributed at the Commission's June meeting and the Executive Director requests the Commission's adoption of the resolution at today's meeting. The resolution appears as the first attachment in this written report.
2. **A resolution recognizing former Commissioner Ralph R. Pesqueira for his valuable contributions to the Commission and to California higher education.** The Executive Director requests Commission adoption of the resolution that appears as the second attachment to this item.
3. **The Commission will receive an update on and engage in discussion about the status of the new Cal Grant Entitlement program.** Recent news media reports have documented the lower number of Cal Grants awarded this year relative to the number originally projected. Further, many of these reports have commented on the complexity of the financial aid application process.

The Executive Director and Commission staff will provide an oral status report on these issues and the activities being undertaken to improve the number of students applying for and receiving Cal Grant awards. This item will also allow the Commissioners to express their viewpoints and concerns about the subject and provide direction to Commission staff on these issues. Included as the third attachment to this item is the Assembly Higher Education Committee's background and analysis of the new Cal Grant Program.

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# CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

## Resolution in Support of The 2002 Education General Obligation Bond Issue

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- W**HEREAS California's Demographic changes, economic conditions, educational reforms, and progress in preparing students from all groups are converging to produce historic increases in demand for higher education in the state, and
- WHEREAS Between 1998 and 2010, this burgeoning demand - generally referred to as "Tidal Wave II" - is likely to result in an increase of more than 714,000 students seeking enrollment at all levels of higher education, and
- WHEREAS The Postsecondary Education Commission has estimated that California will need to spend \$1.5 billion annually over the next 10 to 12 years, both to maintain the existing physical plant and to provide for enrollment growth in higher education, and
- WHEREAS When planning new construction, renovation or reconstruction of existing facilities, public higher education institutions should assess the extent to which future costs of operation can be reduced by the use of technology, and
- WHEREAS Public Higher Education buildings should be equipped with new technology as appropriate to allow the colleges and universities to deliver instruction more efficiently, and
- WHEREAS Funded projects should, where possible, leverage other resources such as private funds, donated land and materials, local and federal funds and redevelopment funds to produce the greatest return for the State's investment, therefore be it
- RESOLVED That the single highest priority for the use of bond funds should be accommodating higher education enrollment growth, therefore be it further
- RESOLVED That five percent of the education bond funding should be set aside to be used as an incentive to develop joint use facilities and collaborative education centers, therefore be it further
- RESOLVED That on this day, July 31, 2001, the California Postsecondary Education Commission, while recognizing that the current energy crisis places great strain on the State's Budget, adopts a position of support for a bond initiative in the amount of \$4 billion for higher education, to be expended over the next four years. Such a bond issue would provide most, though not all, of the resources needed both to create new capacity to accommodate enrollment increases and to renovate existing structures to ensure their continued usefulness.



# CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

## Resolution Commending Ralph R. Pesqueira

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- WHEREAS** Ralph R. Pesqueira has represented the California State University Board of Trustees on the California Postsecondary Education Commission, having been appointed in May 1997; and
- WHEREAS** Commissioner Pesqueira, as a two-term member of the Board of Trustees and as a member of the Commission, advanced not only the cause of the State University and its students, but all of higher education as well; and
- WHEREAS** Ralph Pesqueira, is a respected member of the business community of the City of San Diego where he has been active in civic affairs, particularly those endeavors associated with planning and development, and a leader in the Latino Mexican/American sector; and
- WHEREAS** Commissioner Pesqueira, over nearly five years as a member of the Commission, served on numerous committees, including most recently as a member of the Fiscal Policy and Programs Committee and as chair of the Educational Policy and Programs Committee; and
- WHEREAS** Commissioner Pesqueira has participated in the overall work of the Commission, displaying both dedication to duty and a willingness to address the challenging higher education issues of the day; and
- WHEREAS** He discharged his duties as a Commissioner in the educational sectors with thoughtful analyses that was informed by experience, not only as a civic leader and respected member of the Latino community, but also that of a former officer in U.S. Army; and
- WHEREAS** Commissioner Pesqueira continues to represent the highest ideals of civic responsibility, both in his home community of San Diego and the state at large; and for which he has received numerous citations and awards, now, therefore, be it
- RESOLVED** On this 30<sup>th</sup> day of July 2001, that the California Postsecondary Education Commission wishes to recognize the many contributions that Ralph Pesqueira has made to the advancement of all people of the State of California in their pursuit of educational opportunity; and be it further
- RESOLVED** That the California Postsecondary Education Commission wishes to commend Commissioner Ralph R. Pesqueira for a job well done.

Presented this thirty-first day of July, 2001, on behalf of the Commission by:

Alan S. Arkatov, *Chair*

Warren Halsey Fox, *Executive Director*

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# **The New Cal Grant Program**

## ***Background and Analysis***

Prepared by Paul Mitchell, Principal Consultant  
Assembly Committee on Higher Education

### **Background**

The new Cal Grant program was created last year by SB 1644 (Ortiz and Poochigian). The new program, which becomes effective in the 2001-2002 academic year, guarantees college financial aid awards to graduating high school students that meet certain eligibility requirements.

This program was lauded by the Governor as the "the most generous college financial aid program in the nation." Legislators and the public were equally excited about a new program that would guarantee grants to all meritorious high school graduates with financial need. The expansion of college opportunity by \$1.2 billion by 2005/06 promised to forever change the ability of low and low-middle income students to achieve their academic goals.

Prior to SB 1644, the entire Cal Grant program was restrained by limited funding. Grants were provided only in a "competitive" model wherein tens of thousands of qualified students would not receive aid each year. This new program ensures that needy high school graduates who obtain good grades and attend college within 18 months of graduation will receive aid.

Students that have not recently graduated high school, or did not excel in high school, still have limited financial aid opportunities and must compete for available Cal Grants under a different grant category. Given that the average age of community college and CSU students is 27 years old, it is clear that the majority of college students will continue to be in these competitive pools.

The following is a summary of available Cal Grant Awards and the money spent on each program:

**Cal Grant Entitlement Awards:** Available to all recent high school graduates, beginning with the 2000/01 graduating class, who meet Cal Grant requirements and successfully apply by March 2 of each year.

To qualify for the Cal Grant A Entitlement, students must have a minimum 3.0 GPA and not exceed family income limits of \$68,202 for a family of four. The Cal Grant B Entitlement is available to students with a GPA above 2.0. Family income limits for this grant are lower, at \$35,357 for a family of four.

The value of the Cal Grant A awards vary by institution that the student chooses to attend. Award levels are as follows:

California State University:	\$1,428
University of California:	\$3,429
Independent Colleges:	\$9,708

In the first year, a Cal Grant B will only pay for access costs of \$1,551, however in subsequent years it pays for the access costs plus the Cal Grant A awards listed above. The Cal Grant B is less expensive in the first year, but provides more funding in the 4-year life of the grant.

#### Entitlement Grant Goals and Funding

Goal: As provided for in the January budget, the Student Aid Commission was provided \$221 million to fund 72,568 Cal Grant A and B Entitlement grants, at an average cost of \$3,050 per grant.

Result: The Student Aid Commission spent \$186 million on approximately 43,456 grants at an average cost of \$4,280 per grant.\* As a result, \$35 million excess dollars were removed from the Student Aid Commission budget.

\* The difference in average cost per grant is attributable to two factors: 1) the ratio of Cal Grant A to Cal Grant B and 2) the institution that the student chooses to attend.

**Cal Grant Competitive A and B Awards:** Provided to students who meet financial need and income requirements. These grants are statutorily limited to 22,500 per year, split evenly between the spring and fall application dates.

The qualifying GPA and income requirements for competitive grants are identical to the Entitlement. To qualify, students must have a minimum 3.0 GPA and not exceed family income limits \$68,202 for a family of four. The Cal Grant B Entitlement is available to students with a GPA above 2.0. Family income limits for this grant are lower, at \$35,857 for a family of four.

However, within this competitive pool, qualifying is only the first step towards receiving aid. The income and GPA requirements become more stringent as the number of qualified applicants exceeds the number of grants available. While these grants are statutorily limited to 22,500 per year (11,250 in the spring and 11,250 in the fall) the Student Aid Commission has already identified more than 51,000 qualified applicants for the spring awards alone.

As a result of the high demand and limited supply, the Student Aid Commission only provides these competitive awards to those with the highest need and greatest merit. Recipients for this spring's awards have, on average, a GPA of 3.2 and an income of \$17,000 for a family of four.

**Cal Grant C Awards:** Assist vocationally oriented students from low- and middle-income families. Grants are for a maximum of \$2,392 for tuition/fees and \$576 for training related costs.

Recipients are selected based on financial need and vocational aptitude and must be enrolled in a vocational program at a California Community College, independent college, or vocational school, in a course of study lasting from four months to two years. The number of Cal Grant C awards to be issued each year is 7,761.

**California Community College Transfer Entitlement Awards:** Beginning in 2002-03, these awards will be offered to California Community College students who were not awarded a Cal Grant Entitlement out of high school. These applicants are judged on their ability to meet certain requirements at the time of transfer from California Community Colleges.

The Community College Entitlement is limited to students who graduate high school in 2001 or thereafter. As a result, the first year implementation will be limited to those students who are able to complete their transfer curriculum within 2 years. As the program is phased-in it will allow up to 5 years for the completion of a transfer curriculum.

**Cal Grant T Awards:** Awards are for teacher credential candidates who have a baccalaureate degree and plan to attend a teacher credential program. Awards are to be used only for tuition/fees for a maximum of one academic year of full-time attendance. A minimum of 3,000 new Cal Grant T awards are to be issued each year.

As a condition of receiving a Cal Grant T, a recipient must teach for one year at a low-performing school for each \$2,000 of award money received, for a maximum period of four years. Any recipient who does not meet the teaching obligation is required to repay the award.

#### **Under Utilization of Cal Grant Entitlement**

In April 2001, Committee staff realized that there was an under-utilization of the Cal Grant Entitlement Grants. According to Student Aid Commission estimates at that time, *the program was going to fall 20,000 grants short of the Department of Finance projections, with the money for those grants reverting to the General Fund.*

In order to ensure that the expansion of the Cal Grant program was realized, the committee unanimously supported AB 726 (Correa and Alquist). This bill sought to increase grants available in the Cal Grant A and B Competitive pools by 20,000 grants - a number approximate to the under-utilization in the entitlement portion.

On June 8, 2001 the California Student Aid Commission took a support position on AB 726. In the text of the letter they inform Governor Davis of the effect that under



utilization is having on the overall Cal Grant Program. Their review of the current results of the Cal Grant program and projections for the remainder of calendar year 2001 show shortfall in the program of 2,100 grants from last year. The letter reads:

"Based upon [the Student Aid Commission] review it is clear that an unintended consequence of the policy changes inherent in Senate Bill 1644 is that during fiscal year 2001/02 approximately 75,500 Cal Grant Awards will be made. This is less than last year's 77,603 awards."

This reduction in awards has developed in a year that saw applications grow by 20% and funding increase by \$127.9 million.

#### **Staff Comments**

In its letter of June 8, 2001, the Student Aid Commission notes that:

"[T]he Cal Grant program is effectively in transition. The policy change inherent in SB 1644 refocuses the program on just graduated high school seniors and, ultimately, students transferring from community colleges to four-year institutions."

As such, some analysts within the Student Aid Commission and other agencies believe that this shortfall in grants awarded is a one-year aberration that will be compensated for by future gains in the program.

Nevertheless, the Committee should be greatly concerned about this first year result of the Cal Grant expansion. While the goal of increasing financial aid within the Cal Grant program may materialize in future years, it is clear that this year's result is a sign that the program may be in jeopardy.

At a minimum, the Committee should be gravely concerned that the inability to provide aid to as many students as last year will severely erode the confidence in the program among educators, parents, students and the public.

The first step in the program's recovery should be the immediate return of \$15 million to the Student Aid Commission budget. This money can be re-appropriated per AB 726 to the competitive A and B grants where demand outstrips availability five-to-one. The committee should also consider expanded outreach, such as embodied in SB 1070 (Ortiz).

Secondly, the Committee should work with Senator Ortiz, the Department of Finance, and the Student Aid Commission to revise projections for the Cal Grant program in future years and develop a strategy for reinvigorating the new entitlement.

Finally, the Committee should consider legislation that would allow an annual transfer of excess funds from the Entitlement to the Competitive grants should under utilization within that program continue.